

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 NEA-11 AF-10 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 CEA-02 FEA-02 INT-08 AGR-20 SCI-06

DRC-01 /247 W

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R 260926Z JAN 74

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 8338

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E.O. 11652: N/A

TAGS: ENRG, EFIN, ETRD, YO

SUBJECT: ASSISTANT FINANCE SECRETARY POPOVIC DISCUSSES  
ECONOMIC RELATIONS WITH U.S., WORLD OIL PRICE  
SITUATION

SUMMARY: ASSISTANT FINANCE SECRETARY POPOVIC HAS  
REITERATED GREAT VALUE WHICH GOY PLACES ON SUCCESS AND  
CONTINUED EVOLUTION OF ECONOMIC RELATIONSHIP WITH U.S.  
JUST RETURNED FROM ROME MONETARY MEETINGS, HE EXPRESSED  
SERIOUS CONCERN ABOUT POTENTIAL CONSEQUENCES OF OIL  
PRICE SITUATION INCLUDING COMPETITIVE DEVALUATIONS AND  
TRADE WARS, FURTHER IMPROVERISHMENT OF LDC'S, AND HARD-  
SHIP FOR YUGOSLAVIA. END OF SUMMARY.

1. AT FAREWELL LUNCHEON FOR ECONOMIC\*COMMERCIAL COUNSELOR,  
GAVRA POPOVIC, ASSISTANT FINANCE SECRETARY, DEVOTED BRIEF  
SPEECH TO US-YUGOSLAV ECONOMIC RELATIONS, WHICH HE TERMED  
HIGHLY SUCCESSFUL. GOY PLACES GREAT VALUE ON THIS RELATIONSHIP AND  
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ITS FURTHER EVOLUTION. "TEMPORARY DIFFICULTIES IN OTHER AREAS., HE

ADDED, SHOULD NOT CAUSE US TO FORGET LASTING LINKS WHICH ARE BEING CREATED BETWEEN TWO COUNTRIES AS A RESULT OF GROWING ECONOMIC CO-OPERATION.

2. COUNSELOR RESPONDED THAT US ALSO DESIRES FURTHER DEVELOPMENT OF ECONOMIC AND OTHER TIES; HE NOTED THAT OVERALL US-GOY REALTIONS MUST BE GOOD TO PROVIDE GOOD CLIMATE FOR CONTINUED EXPANSION OF TRADE AND INVESTMENT.

3. JUST RETURNED FROM ROME, POPOVIC SAID MONETARY MEETINGS WERE GLOOMIEST EVER. GENERAL CONCERN, IN WHICH HE SHARED, WAS THAT OIL PRICE CRISIS WOULD LEAD TO SERIES OF COMPETITIVE DEVALUATIONS AND EVENTUAL TRADE WARS.

4. DESPERATE SITUATION OF LDC'S, POPOVIC RECALLED, WAS BEST EXEMPLIFIED BY SRI LANKA DELEGATE WHO SAID PRICES OF BULK OF COUNTRY'S IMPORT,

INCLUDING OIL, RICE, OTHER GRAINS, WERE UP FOURFOLD, WHILE PRICE OF PRINCIPAL EXPORT TEA HAS STAGNATED. (TITO MEETS WITH SRI LANKA PREMIER BANDARANAIKE THIS WEEK.)

5. POPOVIC SAW PRACTICALLY NO CHANCE THAT OIL PRODUCERS WOULD AGREE TO ANY ROOLBACK IN PRICES. HE DOUBTED WHETHER WITTEVEEN AND WORLD BANK IDEAS FOR LOANS TO LDC'S TO COVER ADDED OIL COSTS WERE PRACTICAL. HE THINKS MANY COUNTRIES, INCLUDING ALL THE LEAST DEVELOPED, WILL NEED LARGE GRANTS, OR VERY LONG TERM CREDITS WITH CONCESSIONAL TERMS PRACTICALLY AMOUNTING TO GRANTS.

6. YUGOSLAVIA MIGHT WELL NOT FIND IT POSSIBLE FOR POLITICAL REASONS TO TAKE ADVANTAGE OF SPECIAL CONCESSIONS OFFERED TO POOR COUNTRIES, POPOVIC COMMENTED UNHAPPILY, AND "MIGHT JUST HAVE TO BEAR THE HARMFUL CONSEQUENCES OF THE PRICE RISES." MOST YUGOSLAV SCHEMES FOR WORKING OFF PART OF EXTRA COST THROUGH CONSTRUCTION PROJECTS IN ARAB COUNTRIES ARE STILL IN NEGOTIATION STAGE, HE ADDED.

7. "IF CHAOS IS TO BE AVOIDED," POPOVIC SAID, IT IS ABSOLUTELY NECESSARY FOR ALL COUNTRIES CONCERNED TO AGREE ON COOPERATION. YUGOSLAV RECOMMENDATIONS IN THIS DIRECTION WILL INITIALLY BE ADVANCED IN NON-ALIGNED FORUM, HE PREDICTED.

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8. COMMENT: RECENT TALKS HERE WITH ECONOMIC POLICY MAKERS REFLECT CONCERN ABOUT THE PRESENT STATE OF US-YUGOSLAV POLITICAL RELATIONS AND

POSSIBILITY OF ADVERSE AFFECT ON GROWING RELATIONS IN ECONOMIC/ COMMERCIAL FIELDS. DEPARTMENT WILL RECALL THAT VICE PRESIDENT SIROTKOVIC IN CONVERSATION WITH SECRETARY SHULTZ AND AMBASSADOR RECOGNIZED THAT ECONOMIC RELATIONS COULD NOT IMPROVE UNLESS

POLITICAL RELATIONS WERE GOOD. IN TALKS HERE WE CONTINUE STRESS  
THAT GOOD POLITICAL RELATIONS IMPORTANT FACTOR IN  
OUR COMMON EFFORTS TO PROMOTE STRONGER ECONOMIC TIES AND THAT  
DETERIORATION IN ANY ONE AREA MAY IMPINGE ON RELATIONS IN OTHERS.  
IT IS OUR IMPRESSION THAT YUGOSLAVIA SEARCHING FOR WAYS INITIATE  
HIGH-LEVEL DIALOGUE TO CLEAR UP WHAT THEY REGARD AS MISUNDER-  
STANDINGS.  
JOHNSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, ECONOMIC COOPERATION, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BELGRA00409  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BELGRADE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740114/aaaaamgu.tel  
**Line Count:** 123  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 21 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <21 MAY 2002 by boyleja>; APPROVED <29 MAY 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ASSISTANT FINANCE SECRETARY POPOVIC DISCUSSES ECONOMIC RELATIONS WITH U.S., WORLD OIL PRICE  
**TAGS:** ENRG, EFIN, ETRD, YO, US, XX, (POPOVIC)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005